

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4701-01
Bill No.: HB 1920
Subject: Education, Elementary and Secondary; Elementary and Secondary Education
Department
Type: Original
Date: March 20, 2014

Bill Summary: This proposal phases out hold-harmless with respect to state aid for schools.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue*	\$0	\$0	\$3,000,000
Total Estimated Net Effect on General Revenue Fund*	\$0	\$0	\$3,000,000

***Projected Savings of \$17,000,000 in FY 2018 and \$62,000,000 in FY 2019**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
State School Moneys*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

***Offsetting Savings and Reduction to fund is \$3,000,000 in FY 2017, \$17,000,000 in FY 2018, \$62,000,000 in FY 2019**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	0	(\$3,000,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal will impact the cost of the education foundation formula. BAP defers to the Department of Elementary and Secondary Education for the specific fiscal impact.

Officials from the **Department of Elementary and Secondary Education (DESE)** state that, currently, there would be no cost to the state. This proposal would not take effect until the 2016-17 school year. At that time, there could be some savings to the state because the formula call could be less. Using current enrollment data and based upon full funding of the formula, DESE assumes potential savings could be as follows:

2016-17	\$ 3,000,000
2017-18	\$17,000,000
2018-19	\$62,000,000

Officials from the **Kansas City Public School District** assume this proposal would have a negative fiscal impact to their district estimated to be minimally \$14.4 million annually.

Officials from the **Special School District of St. Louis County (SSD)** assume this proposed legislation would have a substantial negative fiscal impact on SSD. It would result in the loss of \$35.4 million based on next year's projections. Depending on the interpretation of expenditures per student, this loss would occur in the first year of 2016-17.

Officials from the **Fulton School District** state there is presently no known effect due to this proposal; however, should enrollment decline, eliminating hold harmless will be significantly detrimental to their district in the future.

Oversight, for fiscal note purposes only, will reflect the information provided by DESE to show potential loss to school districts.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Savings</u> - Department of Elementary and Secondary Education - Reduced state aid	<u>\$0</u>	<u>\$0</u>	<u>\$3,000,000</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$3,000,000</u>
STATE SCHOOL MONIES FUND			
<u>Savings</u> - Decreased state aid distribution to school districts	\$0	\$0	\$3,000,000
<u>Reduction</u> - Decreased state aid appropriation from General Revenue	<u>\$0</u>	<u>\$0</u>	<u>(\$3,000,000)</u>
ESTIMATED NET EFFECT ON STATE SCHOOL MONIES FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss</u> - School Districts - Reduced state aid due to phase-out of hold harmless calculation	<u>\$0</u>	<u>\$0</u>	<u>(\$3,000,000)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>(\$3,000,000)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

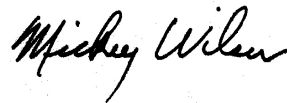
FISCAL DESCRIPTION

This bill phases out hold-harmless school aid payments over a three-year period beginning in school year 2016-17. By July 1, 2016, the Department of Elementary and Secondary Education must create a list of hold-harmless school districts that is rank ordered using a specified calculation based upon a school district's September enrollment from the 2015-16 school year and the proportion of state aid payments to total expenditures for that school year. Districts with a factor in the lowest one-third will have their payments reduced to what the formula calculation provides in the 2016-17 school year and the remaining districts will be reduced in groups of one-third at a time. Beginning with school year 2018-19, if a school district's formula calculation is zero, it cannot receive a basic school aid payment.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of Administration
 Division of Budget and Planning
School Districts
 Kansas City Public Schools
 Special School District of St. Louis County
 Fulton



Mickey Wilson, CPA
Director
March 20, 2014

Ross Strobe
Assistant Director
March 20, 2014